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SIPDIS

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FOR H - PLEASE PASS TO CODEL LIEBERMAN

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SUBJECT: SPAIN SCENESETTER FOR CODEL LIEBERMAN - CORRECTED
CABLE PARAGRAPH 13

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¶1. (SBU) Summary: I warmly welcome Senator and Mrs. Lieberman to Madrid. When you arrive, Spain will be emerging from the Holidays and starting to focus on what is likely to be a very competitive March 9 general election. Although the media here prefers to focus on differences in the U.S.-Spain relationship resulting from Spain's 2004 withdrawal from Iraq, cooperation is excellent in areas of common interests - fighting terrorism and organized crime, strengthening NATO and the Transatlantic security relationship, and in promoting the spread of democracy in many areas of the world. As the Hispanic population of the United States continues to grow, and as Spanish increasingly becomes our second national language, Spain has the potential to be an even closer U.S. partner. End summary.

Counter-Terrorism and Law Enforcement

¶2. (SBU) U.S.-Spain relations were seriously damaged by President Zapateros's decision soon after his reelection in 2004 to precipitously withdraw Spanish forces from Iraq. However, over the last several years both countries have made a concerted and successful effort to rebuild the relationship based on strong mutual interests in counter-terrorism, fighting narcotics trafficking and organized crime, and rapidly expanding economic ties. The real bilateral story is found in novel initiatives such as the HSPD-6 agreement we signed in September to facilitate the sharing of information between our national counter-terrorism authorities. Spain is home to a large and growing Muslim population. The March 11, 2004, train bombings were a shock to Spain (21 of the suspects were convicted here in October). Spain remains a target of Islamic extremists; al-Qaeda has called for attacks to recapture the medieval "Al Andalus". The Spanish are actively pursuing Islamic extremist terrorism-related investigations and have scores of suspects in jail. Neither has the threat of ETA terror gone away: two Spanish Civil Guard officers were murdered in France in early December by the Basque terrorist group.

¶3. (SBU) Narcotics trafficking is another area of common concern. Andean cocaine is a serious problem here, and Colombian trafficking organizations are active in Spain. Money laundering is another serious issue. We are eager to find ways to increase bilateral cooperation and to encourage Spain to engage more aggressively with law enforcement authorities in key Latin American countries.

Security and Diplomatic Cooperation

¶4. (SBU) Spanish military cooperation matters. The bases of Rota and Moron are strategic hubs, midway between the U.S. and Afghanistan and Iraq. U.S. planes and ships account for around 5,000 flights and 250 port calls a year in Spain. The Spanish military is pro-U.S. and pro-NATO. The navy employs the AEGIS system in its frigates and has been working for five years to acquire the Tomahawk missile system. Spain is also interested in the Joint Strike Fighter. We need to keep this military-to-military relationship strong.

¶5. (SBU) Spain has 750 troops with ISAF in Afghanistan and a provincial reconstruction team in Badghis province. They have contributed some 150 million Euros in Afghan reconstruction funds. Planning is underway to allow the Spanish to train and equip an Afghan Army company, which we hope will be a prelude to the training and equipping of a full battalion. On Iraq, Spain has contributed \$22 million to the Basrah Children's Hospital and a further \$28 million in development funding for Iraq. Spain has nearly 1,100 troops with UNIFIL in Lebanon and about 700 in Kosovo.

¶6. (SBU) On the diplomatic front, Spain in recent years has more often been a follower than a leader, looking to stay within EU consensus on issues such as Kosovo, Iran, and missile defense. It is more forward-leaning on the Middle East peace process, undoubtedly driven by FM Moratinos' long personal involvement in the issue. Moratinos was an eager participant in the Annapolis Conference and helped ensure Spain made a robust pledge of support for the Palestinian Authority during the recent Paris donors' conference. Driven by the twin threats of terrorism and illegal immigration, Spain is also increasing its engagement with the countries of North and Western Africa.

¶7. (SBU) Spain is second only to the U.S. in terms of economic and political influence in Latin America. Spain

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wants strong democratic and free market institutions in the region. Nevertheless, we have sharp differences over Cuba. Spain's socialist government has opted for engagement, claiming it can encourage regime elements who want change. We take every opportunity to remind the Spanish that the Cuban regime is only interested in survival and that the Cuban dissidents need and deserve the active and visible support of democracies everywhere. On Venezuela, the socialists' early efforts at constructive engagement with Chavez have gone sour. At the most recent Iberoamerican Summit, King Juan Carlos publicly interrupted a Chavez tirade about former Spanish President Aznar, telling the Venezuelan President to "shut up." The government is uncomfortably situated between Spanish companies who fear Chavez will move against their Venezuela interests and the strong public support for the King.

Economy

¶8. (SBU) Spain has one of the fastest growing economies in Europe. In fact, the economy has grown in each of the last 15 years, and per capita GDP passed Italy's in 2006. In the last several years, a housing boom has contributed greatly to growth, but as elections approach, housing prices are stagnating, construction is slowing, and unemployment and inflation are staring to creep up. U.S. investment has long been important to the economy (more so than bilateral trade), but the tables have turned. This year, Spain has been the fourth largest foreign investor in the U.S., with particular emphasis in banking, construction, and renewable energy. In the latter sector, Spain has the world's largest and third largest wind power firms, and Spanish firms also are active in U.S. solar and biofuels projects.

Elections

19. (SBU) Spain will hold a general election March 9, and the campaign will just be heating up as you arrive. The ruling Spanish Socialist Workers' Party (PSOE) candidate is President Jose Luis Rodriguez Zapatero. Despite a strong economy, a budget surplus, and a variety of social spending initiatives, the early polls indicate a close race. Nevertheless, the polls also suggest Partido Popular (PP) candidate Mariano Rajoy has had limited success getting his message out. The PSOE will run on the economy and its social programs. The PP will argue the economy is softening and that the PSOE has made too many concessions to Basque and Catalan regional governments, is weak on ETA, and soft on illegal immigration. Foreign affairs is unlikely to be a key issue, but the PSOE will remind voters it got Spain out of Iraq while the PP will say Spain's international prestige has slipped.

Jewish Community in Spain

110. (SBU) Full religious freedom only returned to Spain in 1978 with the establishment of a democratic constitution. In practice, Spain is still an overwhelmingly Catholic country, although Protestant and Islamic believers are increasingly important demographically. Estimates of the size of the Jewish community in Spain vary from 50,000 to 100,000 faithful, primarily concentrated in urban areas including Madrid and Barcelona. The Spanish Federation of Jewish Communities (FCJE) signed an agreement with the Spanish government in 1992 establishing Judaism as one of the "deeply rooted faiths" of Spain. Certain local and regional governments, among them Toledo, Segovia, and Sevilla, have sought to capitalize on Jewish tourism by publicizing the romantic aspects of the Sephardic community in pre-Inquisition Spain while downplaying the expulsion. Nevertheless, anti-Semitism remains an undercurrent in Spain; swastikas and other graffiti appear periodically on buildings and in neighborhoods associated with Judaism or the pre-expulsion Sephardic presence. Neo-Nazi propagandists and ultra-rightists remain present in Spain, most significantly along the Mediterranean coast in Valencia and Barcelona, but also in all major cities. In Madrid, skinheads, Falangists and Franco supporters make their presence known through infrequent demonstrations and marches, as well as by harassing the growing immigrant population.

111. (SBU) The USG is currently engaging with the GOS over the 2007 exhumation of three pre-expulsion Sephardic cemeteries in Andalucia and Catalunya. In each case the cemeteries were

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uncovered by accident during excavation for construction or road projects, and in each instance the local authorities did not handle the graves in keeping with strict Jewish dictates, more likely out of ignorance than malice. Based on interest from concerned Americans, among them Representative Edolphus Towns, Chairman Warren Miller of the U.S. Commission for the Preservation of America's Heritage Abroad, and Rabbi David Niederman of the United Jewish Organization, I, my DCM and our Consul General in Barcelona have expressed our concern to the Spanish government that these culturally and religiously sensitive sites need to be protected and handled in a manner in keeping with the wishes of the Jewish community in Spain. Because each municipal government has jurisdiction in affairs dealing with cemeteries, the government has sought to place the responsibility on each local jurisdiction. The FCJE and local Jewish organizations have lobbied the national and local governments to enact a national protocol for addressing any future excavations and are hoping to secure funding to research the location and condition of other cemeteries that have been lost for centuries. The exhumed remains have since been re-interred in other Jewish cemeteries with religious authorities present.

112. (SBU) Critics have accused the Spanish government of

taking anti-Israel stances with respect to both the Middle East Peace Process and the 2006 Israel-Lebanon conflict, while the government has strongly refuted allegations of anti-Semitism and Israel bashing. Spain's Foreign Minister Moratinos is a frequent visitor to the region, and he made a controversial visit to Damascus and Beirut in 2007 in which he was photographed with the number two of Hizballah. Nevertheless, he claims to enjoy a good relationship with Israeli FM Livni and is planning a fence-mending trip to Israel in the coming months.

Pisarro Painting Claim

¶13. (SBU) During your conversation with Ambassador Ana Salomon, you may wish to mention the claim of Claude Cassirer, an elderly American citizen, for a Camille Pissarro painting ("Rue Saint Honore") now at the Thyssen Bornemisza Museum in Madrid, Spain's appeal of a U.S. district court ruling that U.S. courts have jurisdiction is now before the 9th Circuit. The Nazis forced Mr. Cassirer's grandmother to sell the painting in 1939. Baron Hans Heinrich Thyssen-Bornemisza acquired it in 1976. In the early 1990's, the Spanish Government purchased the collection and built the current museum. In 1958, Mrs. Cassirer received a DM 120,000 restitution payment for the disappearance and provisional dispossession of the painting, but retained full right to the painting. Were Mr. Cassirer to win his claim, he would be obliged to reimburse this amount to the German authorities. Pursuant to the 1998 Washington Conference Principles on Nazi Confiscated Art, Cassirer's attorneys offered to discuss the claim with the Government of Spain in 2002 but the government refused. Spain also refused to engage in a mediation process that was part of the district court proceedings. The Washington Conference accepted the Principles by consensus, in which the Spanish representative joined. Dealers, claimants and holders of artworks generally heed the principles. Spain correctly points out that the principles provide for states to "act within the context of their own laws", and notes that claimant has not filed a claim in Spain. But the Principles also call on parties to achieve just and fair solutions on an expeditious basis and to develop and use alternative dispute resolution mechanisms. In December 2007, Ambassador Salomon told Ambassador J. Christian Kennedy, the Special Envoy for Holocaust Issues, that the new Spanish Minister of Culture might take a more constructive view of this claim. In June 2005, the then Special Envoy raised the issue in Madrid with museum and government officials, to no avail. Earlier correspondence between the Envoy and the Spanish Ambassador in Washington was also without result. We recommend you urge Ambassador Salomon and others as appropriate to engage with Cassirer to find a mutually acceptable solution.

Conclusion

¶14. (SBU) Again, I am looking forward to your visit. While we want to avoid being an issue in the Spanish elections, we do need to remind Spain that the bilateral relationship is founded on strong mutual interests such as counter-terrorism and law enforcement. Regardless of who wins in March, terrorists, drug traffickers, and alien smugglers will

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continue to see both our countries as targets. We have much work to do together.
AGUIRRE